

1112

# Nestor - BNA plc

ANNUAL  
REPORT AND ACCOUNTS  
1990



US NURSING  
AGENCIES



UK NURSING  
AGENCIES



HOSPITALS AND  
NURSING HOMES



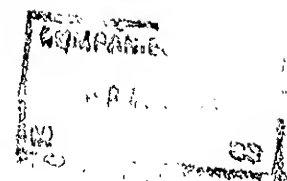
DOCTORS' DEPUTISING  
SERVICES



PRODUCTIVITY  
IMPROVEMENT  
SPECIALISTS



QUALIFIED AND  
PART-QUALIFIED  
ACCOUNTANTS



## CORPORATE STATEMENT

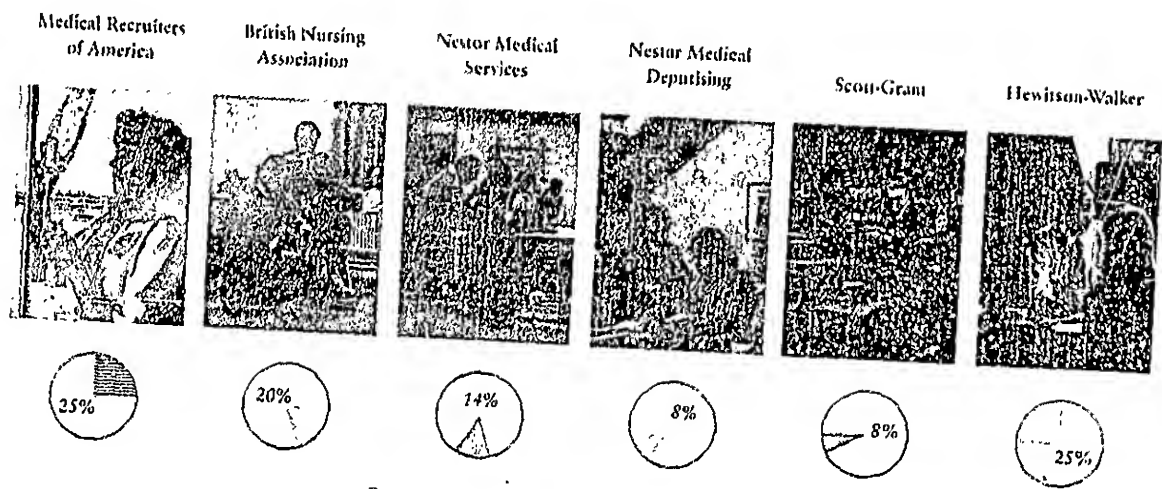
“ . . . Our objectives are straightforward.

We aim to continue to develop and grow a group of companies serving the healthcare and specialist personnel markets, with a view to becoming a major force in both sectors. We will achieve this not necessarily by being the biggest, because size in itself does not guarantee success, but by seeking to be the best at what we do . . . ”

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
## GROUP STRUCTURE





Proportion of Group operating profit in 1990


### NESTOR-BNA plc


 **Medical Recruiters of America.** Proportion of Group operating profit in 1990 was 25%. MRA supplies nurses and other specialist healthcare personnel on a temporary contract basis to hospitals across the USA. It currently has over 1,100 nurses and allied health personnel out on assignment.

 **British Nursing Association.** Proportion of Group operating profit in 1990 was 20%. BNA is the largest nursing agency in the country. It currently has 121 branches and provides over 151,000 hours of care each week.

 **Nestor Medical Services.** Proportion of Group operating profit in 1990 was 14%. NMS owns and manages three hospitals and two nursing homes. Its areas of expertise are the provision of acute surgical medical facilities, rehabilitation, acute psychiatry and care of the elderly.

 **Nestor Medical Deputising.** Proportion of Group operating profit in 1990 was 8%. NMD operates doctors' deputising services from nine centres in North West England and the West Midlands. In 1990 this division made 295,000 house calls.

 **Scott-Grant.** Proportion of Group operating profit in 1990 was 8%. Its primary business is the supply on a temporary basis of specialist supervisory, technical and computer personnel. It also sells its own computer software and provides lecturing and training facilities.

 **Hewitson-Walker.** Proportion of Group operating profit in 1990 was 25%. Hewitson-Walker places qualified and part-qualified accountants on a temporary basis, primarily in the Greater London area.

## DIRECTORS AND ADVISORS

### DIRECTORS

Herbert John Hann  
*Non-executive Chairman*

Michael Greig Rogers  
*Chief Executive*

Robt. John Orlando,  
Viscount Bridgeman  
*Non-executive*

Clive Richard Chapman  
*Group Finance Director*

John Jeffrey Cockburn MB  
*Managing Director NMD*

Francis John Adrian Howard  
*Non-executive*

Jennifer Priestley SRN  
*Managing Director NMS*

Philip Punter  
*Finance Director BNA*

Michael Henderson Durward Smith  
*Managing Director BNA*

SECRETARY  
John Wood

REGISTERED OFFICE  
20A Church Road  
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Hertfordshire AL8 6PS

### FINANCIAL ADVISORS

Hambros Bank Limited  
41 Tower Hill  
London EC3 4HA

### STOCKBROKERS

Rowe & Pitman Ltd  
1 Finsbury Avenue  
London EC2M 2PA

### AUDITORS

Coopers & Lybrand Deloitte  
Chartered Accountants  
128 Queen Victoria Street  
London EC4P 4JX

### SOLICITORS

Freshfields  
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65 Fleet Street  
London EC4Y 1HS

### LEGAL ADVISORS — USA

Dechert Price & Rhoads  
477 Madison Avenue  
New York NY 10022

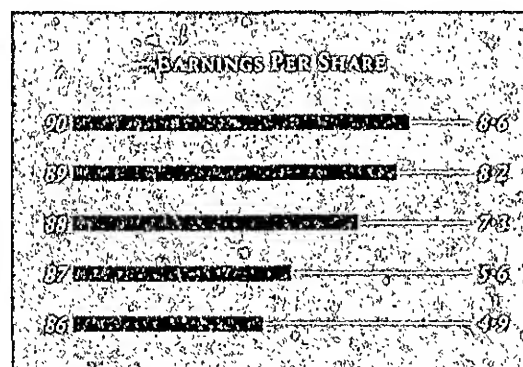
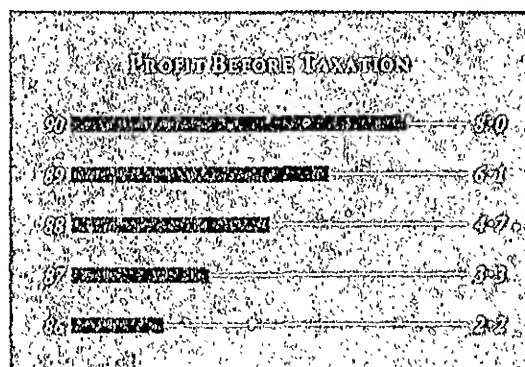
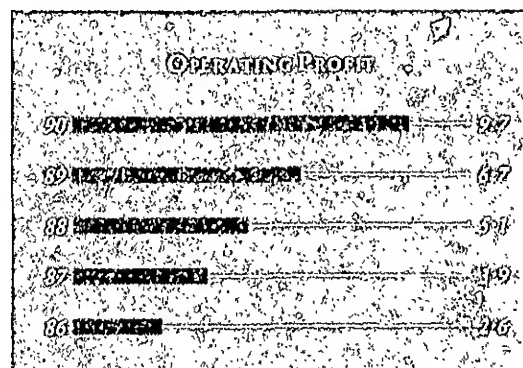
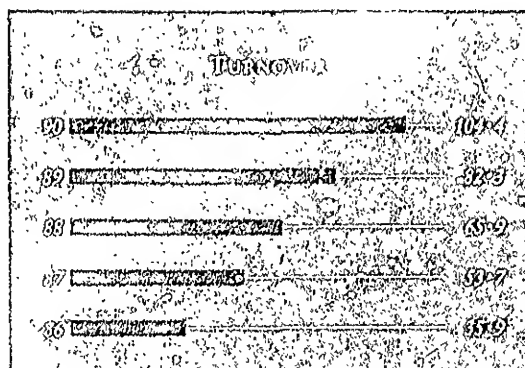
### PRINCIPAL BANKERS

National Westminster Bank PLC  
24 Albemarle Street  
London W1X 4JS

### REGISTRARS AND TRANSFER OFFICE

National Westminster Bank PLC  
Registrars Department  
PO Box No 82  
Caxton House  
Redcliffe Way  
Bristol BS99 7NH

# FINANCIAL HIGHLIGHTS



	1990	1989	Increase
Turnover (£000)	104,403	82,266	27%
Operating profit (£000)	9,719	6,699	45%
Profit before taxation (£000)	8,016	6,052	32%
Earnings per Ordinary Share (PENCE)	8.64	8.22	5%
Dividends per Ordinary Share (PENCE)	3.15	3.00	5%

## CHAIRMAN'S STATEMENT

### INTRODUCTION

I am very pleased to report another year of significant progress for your company. In 1990 we passed two milestones; Nestor-BNA became an international company through the acquisition of Medical Recruiters of America, Inc. (MRA), and our turnover exceeded £100 million for the first time.

### SUMMARY OF RESULTS

Turnover for the year increased by 26.9% from £82.27 million to £104.40 million. In spite of significantly higher interest costs, profit before tax increased by 32.5% from £6.05 million to £8.02 million and earnings per share increased by 5.1% from 8.22p to 8.64p. These results, which were achieved in difficult trading conditions, include operating profit contributions of £2.71 million from MRA and £0.28 million from Medical Emergency Duty Service (MEDS), since their acquisition in April and May respectively.

### DIVIDENDS

Your directors are recommending the payment of a final dividend of 2.0p per Ordinary Share to be paid on 31st May 1991 to shareholders on the register at the close of business on 3rd May 1991, making a total dividend for the year of 3.15p per share. This represents an increase of 5.0% over last year's net dividend of 3.0p per share.

### OPERATING RESULTS

The trading conditions for BNA, our UK nursing agency division, were abnormally difficult throughout the year. I referred in our last Annual Report and also in our Interim Statement to severe spending restrictions being implemented by Health Authorities in order to meet their budgetary targets. In many Authorities this included a requirement to claw back a significant degree of overspending carried forward from earlier years. Unfortunately,

the end result in many cases was a cutback of services and the closure of wards leading to a reduced requirement for supplemental staffing. The cutbacks have been more severe and more prolonged than we had envisaged.

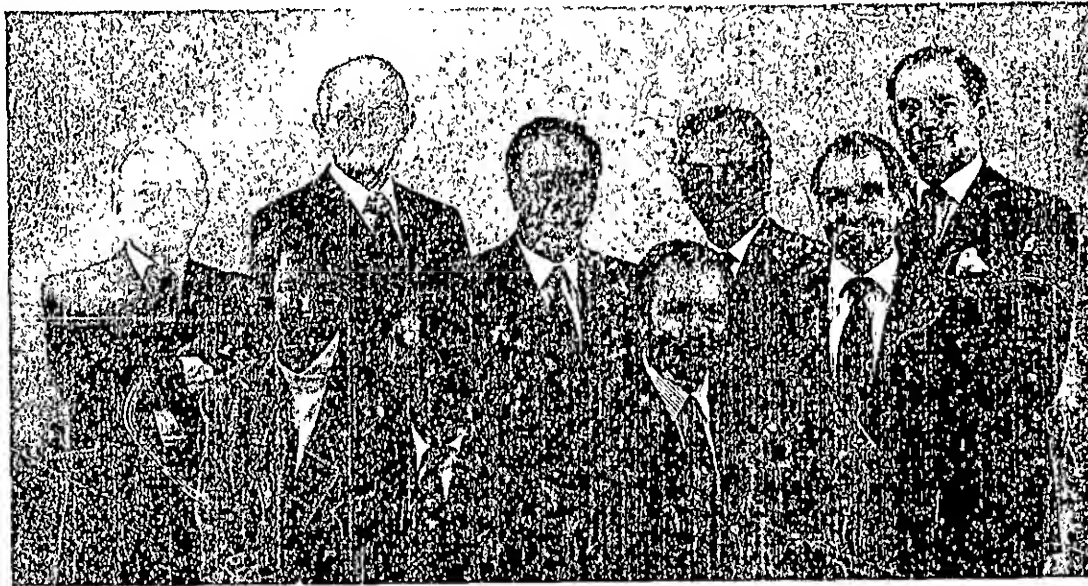
However, BNA has, over the years, carefully developed a number of other markets for its nursing services and it provides a considerable number of hours of nursing to individual patients in their own homes, to industry, to Social Services and Local Authorities as well as to the more obvious markets of nursing homes and private hospitals. Good performance in some of these other healthcare markets helped to mitigate the impact of a reduced demand from the NHS of around 1,000,000 hours (27%) of nursing care. Overall, BNA's operating profit of £2.14 million was sharply down on the £3.55 million of the previous year.

Although, so far, the restructuring of the NHS — the most radical since its inception over 40 years ago — has had an unfavourable impact on BNA's business, we remain confident that there will be increasing demand for the services we can provide to the Health Service, particularly as the financial advantages of a greater reliance on temporary staffing are more widely recognised. Furthermore, the projected demographic trends and shortages of skilled nurses will increase the importance of the services provided by BNA as temporary staffing becomes more central to the provision of all healthcare services.

We are very pleased with MRA, our American travel nursing business, which made a £2.71 million contribution to our operating profit this year. Apart from a weak period immediately after we acquired it, MRA has been building business steadily. The post-acquisition dip was mainly caused by the distraction of the change in ownership and a lack of investment in the future of the business during the period immediately prior to its sale. These factors were



## CHAIRMAN'S STATEMENT



*From left to right: Viscount Bridgeman, Jennifer Priestley, Michael Smith, John Hann, John Cockburn, Michael Rogers, Philip Pomer, Clive Chapman, Francis Howard.*

soon addressed and by October a record number of nurses and allied health personnel were working on contracts arranged through the company.

As envisaged at the time of the purchase, the vendors of the business retired from the business before the end of the year and a new Chief Executive, James Elmslie, has been appointed. We have been impressed by the loyalty and commitment shown by our American colleagues and on a recent visit to MRA's headquarters in Fort Lauderdale I was pleased to note a high degree of enthusiasm and confidence in the future.

Nestor Medical Services (NMS), our hospitals and nursing homes division, made excellent progress this year and increased operating profits by a very creditable 52.0% from £0.99 million to £1.51 million. Our strategy of changing the emphasis of our business away from long-stay and towards more acute, short-stay, higher added-value business has proved successful and this, together with improved operating efficiency, is beginning to deliver the increasing return on assets which we have been

pursuing. During the year we sold Little Dean House, our small nursing home in Stockbridge, Hampshire for £603,000 since it was the management's view that the future performance of this facility was unlikely to provide the return required.

A recent development of considerable interest is the agreement by NMS to manage a rehabilitation service for the Leicestershire Health Authority, at Higham Grange near Hinckley. Under the terms of the management contract NMS will undertake a feasibility study to establish whether there would be a market in that area for a private rehabilitation centre along the lines of our Unsted Park facility. Given the indication of an adequate market, NMS has the right to enter into a joint venture with the Health Authority to develop such a facility.

Nestor Medical Deputising also made good progress this year and the enlarged division, which now includes MEDS, our recent acquisition in Manchester, reported an increase in turnover of 29.1% from £4.34 million to £5.60 million and an increase in operating profits of 47.5% from

## CHAIRMAN'S STATEMENT

£610,000 to £900,000. We are extremely pleased with this result when demand this year was adversely affected both by extraordinarily mild weather and uncertainty provoked by major changes in General Practitioners' contracts. The demand for our deputising services provides the strongest evidence of their importance to the delivery of healthcare.

In spite of very difficult trading conditions for employment agency businesses, our specialist personnel businesses produced strong profits for the year as a whole although trading was much weaker in the second half as the difficulties being experienced by their commercial and industrial markets became progressively more acute.

Scott-Grant's profits fell slightly, 8.0%, from £1.01 million to £0.93 million. Following the completion of the earn-out period the vendors have retired from the business and Richard Taylor, formerly a regional manager, is to become the managing director. Although short term performance will continue to be affected by the national economy, the management team is laying the ground work to take advantage of opportunities for expansion.

Hewitson-Walker made a considerable contribution of £2.69 million to operating profits in 1990, compared with £1.14 million in 1989 during the four and a half months in which we owned it. The economic downturn, particularly in the South East, sharply reduced profits in the last quarter of 1990. Whilst an upturn depends on a return to growth in business activity, Hewitson-Walker is successfully defending its market share and making plans for future expansion of its service.

Our joint-venture, Nutri/System, now operates 16 weight-loss centres in the London area. Effort is concentrated on bringing these to profitability before further expansion is put in hand. The parent company, Nutri/System, Inc., is confident that profitability at centre level will be accomplished later

this year.

Our total investment is £1 million and Nutri/System, Inc. has provided all additional working capital since March 1990 and has indicated its intention to continue to do so.

### ACQUISITIONS AND FUNDING

During the year the Group acquired MRA and MEDS and made a deferred acquisition payment to the vendors of Scott-Grant. The total cost of these acquisitions was £30.9 million.

The funding for the acquisitions was by way of a rights issue, which raised a net sum of £18.2 million, a private placement of dollar denominated Senior Unsecured Notes in the United States of \$17 million (£8.8 million), the issue of loan notes to the vendors of Scott-Grant of £0.8 million and the balance of £3.1 million from internally generated funds.

### BALANCE SHEET

The impact on the Group's balance sheet from the acquisition of these service businesses has been substantial. The direct effects were a net reduction in shareholders' funds of £12.0 million as a result of the rights issue and writing off goodwill on acquisition, and an increase in net borrowings of £12.7 million.

However, after taking account of the trading results for the year, shareholders' funds decreased by £7.6 million, from £10.8 million to £3.2 million, and net borrowings increased by £7.8 million, from £7.5 million to £15.3 million. It should be noted that the accumulated amount of goodwill which has been written off on acquisition against shareholders' funds has now risen to £53.6 million.

The level of interest cover, which in this Group is a better indicator of its financial strength than comparisons of the levels of debt to equity, was 5.7 times.

The net borrowings of the Group are predomin-



## CHAIRMAN'S STATEMENT

antly medium term, with £4.9 million either repayable in 1994 or capable of being extended at that date, \$17.0 million (£3.8 million) repayable in equal instalments between 1993 and 1997 and £1.6 million representing net short term borrowings, including vendor loan notes.

### DEFERRED ACQUISITION AGREEMENTS

The deferred acquisition agreements in force at the end of December 1990 were with the vendors of Scott-Grant and Hewitson-Walker. Following agreement of Scott-Grant's results for 1990, a further cash payment of £255,319 was made early in 1991 and a payment of £811,813 is to be satisfied by the issue of new Ordinary Shares. These payments represent the final consideration under the acquisition agreement.

A payment of £1,368,475 was also made in March 1991 to the vendors of Hewitson-Walker. This was satisfied by the issue of 1,670,230 new Ordinary Shares. Further consideration will become payable in 1992 and 1993 if profits in 1991 and 1992 respectively exceed the highest level previously achieved.

### ANNUAL AWARD FOR PUBLISHED ACCOUNTS

Earlier this year I was honoured to receive from the Lord Mayor of London the Annual Award for Published Accounts, in the smaller company category, sponsored jointly by The International Stock Exchange and the three Institutes of Chartered Accountants. The criteria are; clear and interesting presentation of facts and figures; description of business; clear, brief, meaningful statistics; shareholder information; and concise layout.

The award related to our 1989 report and I hope shareholders will find the 1990 report equally informative.

### STAFF AND SHARE SCHEMES

At our last Annual General Meeting in May 1990, shareholders gave approval for your directors to

introduce both a SAYE Share Option Scheme and an employee Profit Sharing Scheme to further staff commitment to the Company, providing them with the opportunity to share in the Company's growth and prosperity. My colleagues were encouraged by the number of applications received from eligible staff who took out contracts under the first offer of the SAYE scheme. We are also pleased to make the first payment under the profit sharing scheme in relation to 1990 results as a tangible way of thanking them for commitment and support in what was a difficult but nonetheless satisfactory trading year.

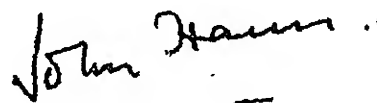
### THE BOARD

William Lazarus resigned from the Board in June 1990, and I have pleasure in welcoming Clive Chapman, his successor as Finance Director, who was appointed to the Board in September 1990.

### OUTLOOK

In the current economic climate it is even more difficult than usual to predict the future. However, we look forward to continuing growth in our health-care activities overall despite the NHS spending restrictions affecting BNA. Whilst the performance of our specialist temporary personnel activities will continue to be depressed by the economic downturn, they are well placed to take advantage of the recovery when it occurs.

We, therefore, view 1991 with a mixture of optimism and caution and have every confidence in the strength of our businesses in their respective markets.



John Hann  
Chairman

21st March 1991



"MIRA is a specialist nursing agency which has become one of the leading suppliers of travel nurses in the United States of America. Travel nurses, as their name implies, travel the country moving from assignment to assignment."

## CHIEF EXECUTIVE'S REVIEW

### INTRODUCTION

1990 was another year of significant activity for Nestor-BNA. Although trading conditions became more difficult as the year progressed, the fundamental strengths of our businesses and the skills and endeavours of their operational management combined to produce another record year of turnover, profits, earnings per share and dividends.

It has always been our intention to build a resilient group; one which is resistant to inflation and recession. In 1990, the combination of the first fundamental reorganisation of the National Health Service for over 40 years, a deepening recession and the fall in the value of the \$ against the £ has been a harsh test of our resilience. However, all of our companies have remained profitable and some have made considerable progress.

Our results for the year were helped a great deal by new and recent acquisitions. MRA and MEDS made first time contributions and Hewitson-Walker was included for a full year. MRA's contribution more than compensated for the downturn in profits experienced by BNA whilst the effective integration of MEDS into our doctors' deputising division helped boost that division's operating profits by nearly 50%.

Nestor Medical Services, our hospitals and nursing homes division, increased profits by over 50% and Hewitson-Walker and Scott-Grant, our specialist personnel divisions, proved extremely competitive in difficult trading conditions and produced 33% of Group profits.

We are now an international company with annual turnover in excess of £100 million; we remain confident of the growth potential in our markets and of the ability of our companies to compete effectively and prosper in them.

### MEDICAL RECRUITERS OF AMERICA



MRA, our American travel nursing business, which we acquired in April 1990, made a first time contribution of £2.71 million to our operating profit. MRA is a specialist nursing agency which has become one of the leading suppliers of travel nurses in the United States of America. Travel nurses, as their name implies, travel the country moving from assignment to assignment. Although the lengths of assignments tend to range from eight to 26 weeks, a typical assignment would be of three months' duration.

Travel nursing is becoming increasingly important for several reasons. The demand for nurses in the United States continues to grow as the number of elderly people needing care and the general demand for medical services increase. At the same time the number of new entrants into the profession is showing little change. Many hospitals and other care providers are, therefore, suffering acute staffing problems. These staffing shortages become particularly acute in, for example, Florida, California and Hawaii in the winter months when large numbers of retired people leave their homes in the colder North and migrate to warmer climes. Full-time qualified nurses prepared to sign on for a contract of several months' duration can represent a much more effective solution to a hospital's seasonal staffing difficulties than would local part-timers or temporary staff engaged by the day.

MRA concentrates on two main objectives: securing profitable contracts with hospitals at which nurses would be keen to work (because of the hospital's reputation, or location, or both) and on making travel easy for the nurse. It is usual for a nurse's travelling costs to add from an assignment to be reimbursed and for MRA to arrange the provision of fully-furnished accommodation close to the nurse's work free or at a subsidised rental. Nurses who travel through MRA enjoy well-paid, interesting



*"BNA's nurses and carers provided approximately eight million hours of care in 1990 for many different clients, the major category being private individuals requiring care in their own homes."*



## CHIEF EXECUTIVE'S REVIEW

work, are well-supported and have the additional benefit of good accommodation. They are, therefore, more likely to make themselves available for further assignments and to recommend MRA to other nurses. Hospitals which enjoy the benefit of competent, reliable staff when and where they need them are more likely to make repeated use of MRA's services.

MRA generates most of its business from its main office in Fort Lauderdale, Florida, but an increasing proportion is now being generated by its satellite office in Los Angeles. Temporary nursing in the United States is a considerable market with an estimated turnover of \$1 billion per annum. California alone represents a market for nursing services of about one-third of the size of the market for nursing services in the United Kingdom. Travel nursing, being attractive to both hospitals and nurses, is the fastest growing sector of the temporary nursing market. Although there is a marked seasonality in the travel nurse business, there is a year-round requirement and MRA is developing markets in new areas of the country to increase activity levels in those months which in the past have been quiet.

Prior to the retirement of the vendors of the business we recruited a new chief executive officer, James Elmslie, who took charge with effect from 1st January 1991. He is an American with wide experience in and a comprehensive understanding of the American healthcare markets. He leads a sound team and the team's first task together was to develop a strategic plan which has as its aim the building of MRA into the premier travel nurse company in the USA.

In addition to nurses, MRA places other health personnel such as physical therapists and occupational therapists. MRA currently has a record number of nurses and allied health personnel out on assignment.

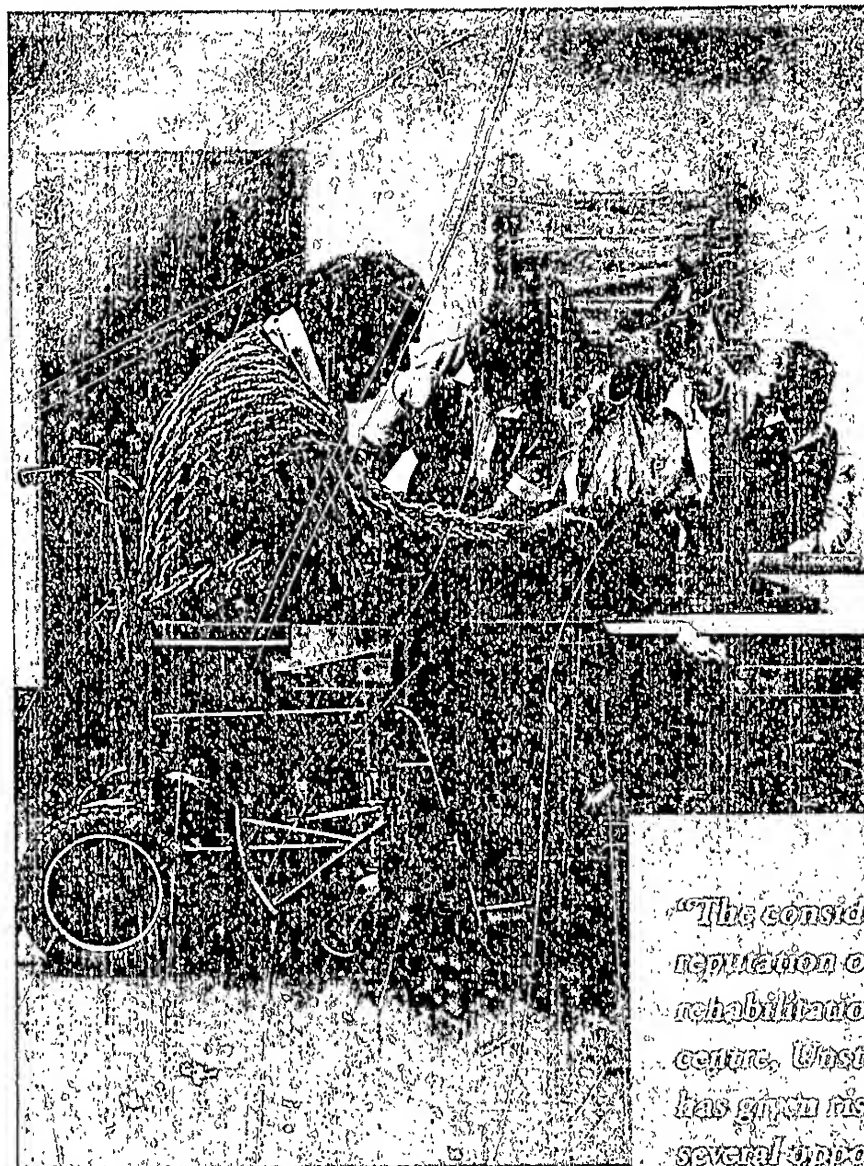
### BRITISH NURSING ASSOCIATION

BNA is the largest nursing agency in the United Kingdom with a register of approximately 55,000 temporary nurses and carers who undertake a wide range of assignments at short notice through a network of 121 branches. BNA's nurses and carers provided approximately eight million hours of care in 1990 for many different clients, the major category being private individuals requiring care in their own homes at their own expense.

During 1990, the provision of healthcare through the NHS was repressed by financial constraint to an extent we have not previously experienced and certainly to a greater extent than we anticipated. To enable the NHS to operate an internal market with effect from 1st April 1991, Health Authorities were required to 'balance their books'. For many this involved recouping out of their financial budget for 1990/91 significant deficits they had been rolling forward from prior years. There is a short-term limit to how much can be saved by 'good housekeeping' and many authorities were driven by cost constraints to cut back services and close wards. The impact of this upon BNA in 1990 was a reduced demand for hospital staffing of nearly one million hours (27%) which was partially offset by increased activity in other markets amounting to an additional 250,000 hours.

Although there was a 27% fall in the volume of NHS business, this was largely recovered by gains in other markets and by increased prices. Consequently, turnover only fell 8.8% from £56.45 million to £51.50 million. However, the reduction in volume of business came after we had significantly increased our branch network during 1989 to take advantage nationwide of the Care in the Community proposals to transfer the responsibility for care of the elderly to local authorities. These proposals were subsequently deferred. This also coincided with the completion of an 18 month project to redevelop and





"The considerable reputation of our rehabilitation centre, Unsted Park, has given rise to several opportunities for NMS to expand our range of rehabilitation services."

## CHIEF EXECUTIVE'S REVIEW

enhance our data-processing and management information systems in preparation for the higher volumes of work we anticipate in the 1990's. The cost impact of a more comprehensive branch structure and a more expensive systems network — both essential to the future growth of the business — on lower revenues led to reduced operating margins and a fall in operating profit of 39.6% from £3.55 million to £2.14 million.

Not all of the one million hours fall in NHS work. Some arose from closures and cut-backs in services, a small part of the fall arose from our unwillingness to tender for contracts at commission rates we viewed as uneconomic. Having several well-developed non-NHS markets we were able to do this. Since there has been an increasing incidence of branch closures by other agencies and agencies going out of business, particularly in London, we believe our strategy to have been correct.

Faced with lower income than expected as a result of the financial restrictions of the NHS and the deferment of Care in the Community, we embarked on such cost-cutting exercises as were possible without reducing significantly our capability to continue to provide a good service to our customers.

Rather than close branches we are, therefore, as far as possible, endeavouring to keep them open with reduced staff levels. As a result of our competitors' branch closures and other competitors' business failures, BNA has a higher proportion of the UK's licensed nursing agency outlets than it has had for some time. This capability should enable us to increase our market share.

Whilst the new working arrangements for the National Health Service make forecasting difficult, Health Authorities will have higher budgets in real terms from April 1991 and should not have previous overspend to claw back from this year's allocation.

### NESTOR MEDICAL SERVICES

NMS provides care in a medical rehabilitation centre (Unsted Park), an acute surgical hospital (New Hall), a psychiatric hospital (Ticehurst House) and two nursing homes (Thames Bank and Woodlands).

1990 was an excellent year for NMS with turnover up 26% from £7.80 million to £9.85 million and operating profits up 52.5% from £0.99 million to £1.51 million.

For the last two years NMS has been focusing on increasing the proportion of acute to long-stay patients at our rehabilitation centre, Unsted Park, and at our psychiatric hospital, Ticehurst House. Acute care patients tend to stay for much shorter periods of time than long-stay patients and occupancy levels tend to be more volatile as a result. However, the income per bed day generated from such higher added value services tends to be much greater and increases the potential upside of the business considerably. In 1990, the benefits of this strategy began to come through and much higher income combined with improved operating efficiencies at Unsted Park, Ticehurst House and New Hall Hospital gave rise to strong profit improvement.

Our long-stay nursing home facilities, Thames Bank and Woodlands produced marginally higher profits than in 1989 but, in common with other operators, found high occupancy levels at appropriate prices difficult to sustain. This situation was largely a knock-on effect of a stagnant domestic property market in which elderly persons were unable to sell their houses at the prices they anticipated. Despite our best efforts, Little Dean House, our small (28 beds) nursing home in Stockbridge, Hampshire, under-performed for several years. We sold it during 1990 for £603,000 as it was the management's view that the future performance of a nursing home of this size was



"NMD's de jure,  
all of whom are  
qualified medical  
practitioners with  
experience of  
general practice,  
visit patients at  
home, at nights  
and at weekends,  
on behalf of our  
client General  
Practitioners."



## CHIEF EXECUTIVE'S REVIEW

unlikely to provide the return on shareholders' funds we seek.

The considerable reputation of our rehabilitation centre, Unsted Park, has given rise to several opportunities for NMS to expand our range of rehabilitation services. One such opportunity is Higham Grange, near Hinckley, a rehabilitation centre we now manage for Leicestershire Health Authority. Under the terms of our management agreement we are undertaking a feasibility study to establish whether there would be a market for a commercial rehabilitation centre in that area. We welcome the opportunity to work with the National Health Service in such a positive way and hope that it will prove viable to develop Higham Grange as a joint venture.

Against the background of an underprovision of healthcare in the UK, opportunities for NMS are likely to increase. We are looking at ways to develop these opportunities and are concentrating on those areas in which we have proven expertise.

### NESTOR MEDICAL DEPUTISING

NMD works mainly from control centres in Liverpool, Birmingham, St. Helens, Wolverhampton, Stoke and Manchester. NMD's deputies, all of whom are qualified medical practitioners with experience of general practice, visit patients at home, at nights and at weekends, on behalf of our client General Practitioners. During 1990, in spite of unusually mild weather which led to a reduced incidence of minor acute episodes of a nature which would give rise to a need for a doctor to visit, NMD carried out approximately 300,000 calls.

The main event of the year was our acquisition, from Dr. Desmond Conroy, of the Manchester-based Medical Emergency Duty Service (MEDS). We had always held MEDS in high regard and for some years had been seeking to acquire it. MEDS has now been integrated into our deputising division without

giving rise to any significant increase in central costs. Helped by this acquisition, NMD's results for 1990 were an increase in turnover of 29.1% from £4.34 million to £5.60 million and an impressive increase in operating profits of 47.5% from £610,000 to £900,000.

The recent changes in General Practitioners' contracts have not had any significant effect on our deputising business and the continuing demand for our services provides strong evidence of their important role in the delivery of prompt and effective primary healthcare in the communities we serve.

Another event of some significance in the year was the development by NMD of a post-graduate education course for the benefit of client and other General Practitioners. Under the terms of their new contract, General Practitioners are encouraged to attend or undertake a specified number of post-graduate training or educational courses each year. The first course was very successful and, as a result, NMD will be developing this activity further and organising several post-graduate education seminars in 1991.

### SCOTT-GRANT

Scott-Grant's primary business is the supply, on a temporary basis, of specialist supervisory, technical and computer personnel to the manufacturing, service and government sectors. Based in Manchester and with five regional offices it operates through four companies the principal activities of which are management services, computer services, technical services and training services.

Management services currently accounts for the majority of Scott-Grant's business. It supplies specialist personnel to carry out a variety of organisation and methods projects and to undertake work studies with the objective of improving productivity across a broad range of activities. Computer services supplies computer consultants to



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activities."*



## CHIEF EXECUTIVE'S REVIEW

carry out specific projects such as process planning, performance reporting, production control and capacity planning. It also sells computer software packages it has developed to carry out some of these tasks. Technical services acts as a specialist agency supplying qualified technical personnel mainly to the industrial and construction sectors. Training services provides lecturing and other training services.

The performance of Scott-Grant has been affected by the economic downturn and trading conditions worsened steadily as the year progressed. However, over the year as a whole, turnover was maintained at £8.57 million compared to £8.55 million in 1989 and profits fell back only 8% from £1.01 million to £928,000.

The vendors of the business, Geoffrey Gibbs and Trevor Thorpe, have retired as planned at the end of the earn-out period and Richard Taylor has been appointed Scott-Grant's new managing director. Richard has a very strong management servicing background and has demonstrated considerable success in recent years as a regional manager for Scott-Grant in the North West of England.

### HEWITSON-WALKER

Hewitson-Walker supplies temporary qualified and part-qualified accountants to a wide range of clients in the Greater London area.

We acquired Hewitson-Walker in the summer of 1989 after it had enjoyed a prolonged period of growth. It continued to grow and to be extremely profitable reaching peak profits in April 1990. Although trading conditions deteriorated in the latter half of 1990, Hewitson-Walker made a major contribution to Group operating profit of £2.69 million, compared to a part-year contribution in 1989 of £1.14 million, and was the largest contributor of cash. A full year on year comparison of operating profit shows Hewitson-Walker's results only 5% down on 1989.

Although commission income is now running at about 55% of peak levels, action has been taken to contain costs without prejudicing the division's competitiveness. The short term objective is to position the business to increase its market share in the London area while the recession continues and to be able to take full advantage of recovery when economic conditions permit.

### OUTLOOK AND OBJECTIVES

Our objectives are straightforward. We aim to continue to develop and grow a group of companies serving the healthcare and specialist personnel markets, with a view to becoming a major force in both sectors. We will achieve this not necessarily by being the biggest, because size in itself does not guarantee success, but by seeking to be the best at what we do.

Developing our nursing agency activities over the last 15 years has given us considerable experience in, and a good understanding of, the techniques necessary to recruit and deploy specialist temporary personnel. Our acquisitions of Scott-Grant and Hewitson-Walker were an opportunity to use existing skills and experience to diversify into other specialist (not general) temporary personnel activities where selling prices and gross margins were much better than in nursing agency work. Considerable improvement in profits and earnings have resulted from these moves.

In 1990, approximately 80% of our turnover and 70% of operating profit were derived from services to our healthcare markets. In 1991 these proportions are likely to increase, not least because MRA will contribute for a full year.

Opportunities for healthcare operators are increasing and the prospects for our Group in the 1990's are good. We believe that there will be a continuing and growing need for the services Nestor-BNA can provide. However, availability of funds for



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## CHIEF EXECUTIVE'S REVIEW

healthcare is an essential ingredient if that need is to be translated into demand.

Currently, there is an under-supply of healthcare services in the UK. There are queues for non-acute surgery and high levels of reported ill-health. Although the proportion of elderly in the population is particularly high our healthcare spending is lower than that of many of our EC partners. Medical advances, demographic change and ever increasing expectations of healthcare services will provoke increased expenditure.

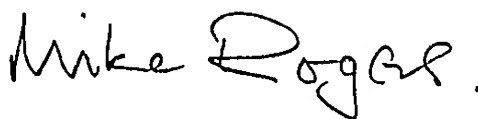
The planned level of total spending in the National Health Service in 1991/92 is £32.6 billion, this is more than £3 billion over 1990/91. Furthermore, the number of Health Authorities seeking to recoup their previous overspending has reduced considerably over the last year and this will also increase the future level of spending.

The other major source of funding for healthcare services is medical insurance. There are currently about 2.5 million subscribers and numbers are growing at the rate of about 7% a year. The recent grant of tax relief on premiums paid by or on behalf of the over-60's may increase the rate of growth. Both BNA and NMS should benefit from this.

There is little doubt that, recession apart, the increase in the proportion of temporary and part-time to permanent employees that we have

experienced in recent decades will continue in coming years. Although researchers and employers do not necessarily agree on the level of likely growth and the specific occupations which will be affected, almost every survey to date indicates a continuing upward trend in the proportion of temporary workers in the labour force. This is not surprising as, in almost any industry, economic performance can be seen to be closely linked to the flexibility with which employers use their labour force. The development of a truly flexible labour force is being impeded by traditional attitudes that only permanent full-time work is 'normal'. However, between a third and one-half of the working population does not have a permanent full-time job.

For the above reasons, we believe that our businesses will prosper in the 1990's. At the beginning of 1991, MRA, our new American venture, is operating at record levels and showing good signs of growth. Nestor Medical Services and Nestor Medical Deputising are also trading at record levels. BNA is working hard to recover from the impact of the financial constraints imposed by the NHS in 1990. Scott-Grant and Hewitson-Walker are working hard to at least retain their market share in the current recession and to position themselves to take maximum advantage of the upturn in the market when it comes.



Michael Rogers  
*Chief Executive*

21st March 1991

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st December 1990.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Nestor-BNA plc is a holding company for a group of companies in the healthcare and specialist personnel sectors.

The principal activities of the Group are:

- the provision of travel nursing services throughout the United States,
- the provision of nursing services through the largest nursing agency network in the United Kingdom,
- the provision of care in a medical rehabilitation centre, an acute surgical hospital, a psychiatric hospital and two nursing homes,
- the provision of doctors' deputising services in the North West of England and the West Midlands,
- the provision, on a temporary contract basis, of specialist supervisory, technical and computer personnel throughout the United Kingdom,
- the provision, on a temporary basis, of qualified and part-qualified accountants primarily in the Greater London area.

The accompanying Chairman's Statement and Chief Executive's Review report on the Group's business during and at the end of the year and on future developments.

On 10th April 1990, the Company acquired the businesses of Medical Recruiters of America, Inc. and MRA-California, Inc., collectively known as MRA, a travel nursing agency based in the United States, for \$40.8 million.

On 8th May 1990, the Company acquired the business of Medical Emergency Duty Service (MEDS), a doctors' deputising service based in Manchester, for £1.6 million.

Further details are provided in Note 14 to the financial statements.

In order to provide funds for these acquisitions the Group raised £18.2 million after expenses through a rights issue and \$17 million through a private placement of US dollar denominated Senior Notes.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £5,633,000. An interim dividend of 1.15p per Ordinary Share was paid on 31st October 1990. The directors recommend a final dividend of 2.0p per Ordinary Share. Following the payment of all dividends for the year, £2,996,000 will have been transferred to reserves.

### FIXED ASSETS

Information relating to the changes in fixed assets is given in Notes 12 and 14 to the financial statements.

### DIRECTORS

The directors who served during the year were:

H J Hann*	J Priestley
M G Rogers	P Punter
Viscount Bridgeman*	M H D Smith
C R Chapman ( <i>appointed 10th September 1990</i> )	
J J Cockburn	
W I D Lazarus ( <i>resigned 25th June 1990</i> )	
F J A Howard*	

\*non-executive directors

In accordance with the Articles of Association, C R Chapman will retire at the Annual General Meeting and, being eligible, will offer himself for re-election.

Two directors, J Priestley and H J Hann, will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

C R Chapman and J Priestley each have a service contract with the Company terminable by the Company on not less than three years' notice expiring at any time.

H J Hann has no service agreement.



## DIRECTORS' REPORT

### DIRECTORS' INTERESTS

The beneficial and family interests of the directors in the share capital of the Company according to the Register of Directors' Interests maintained by the Company under Section 325, Companies Act 1985 were:

	Ordinary Shares held at		Rights to subscribe for Ordinary Shares		Share options		
	31.12.90	31.12.89	Granted in 1990	Exercised in 1990	Employee scheme 31.12.90	31.12.89	SAYE scheme 31.12.90
H J Hann	30,629	30,000	10,000	629	—	—	—
M G Rogers	940,413	919,131	306,377	19,284	176,094	108,000	14,802
Viscount Bridgeman	27,463	26,899	8,966	564	—	—	—
C R Chapman	—	—	—	—	120,000	—	—
J J Cockburn	31,233	35,000	11,666	733	90,062	61,000	14,802
F J A Howard	12,251	12,000	4,000	251	—	—	—
J Priestley	521,262	510,550	170,183	10,712	94,312	61,000	—
P Punter	142,191	153,962	51,320	3,229	70,645	50,000	14,802
M H D Smith	143,863	145,805	48,601	3,058	111,631	76,000	4,934

#### Notes:

- 1 None of the directors has any non-beneficial interest in the Company's share capital.
- 2 Between 31st December 1990 and the date of this report the only changes in the interests of the directors in the share capital of the Company were that 5,000 shares and 8,000 shares were disposed of out of the interest of M G Rogers and M H D Smith respectively.
- 3 No director was materially interested in any contract of significance (apart from contracts of service) with any Group company during or at the end of the financial period.
- 4 The Company has maintained insurance of officers against liabilities in relation to the Company during the year.

#### SHARE CAPITAL

Details of the changes in the authorised and issued share capital of the Company during the year ended 31st December 1990 are given in Note 21 to the financial statements.

#### SHARE OPTION SCHEMES

Information regarding share options issued under the Nestor-BNA employee share option scheme is given in Note 27 to the financial statements.

During the year the Company introduced a profit sharing scheme, which involves the granting of shares to employees, and a SAYE share scheme.

#### SUBSTANTIAL SHAREHOLDERS

At the date of this report, the Company has been notified of the following interests of 3% or more in the ordinary share capital:

	Number	Percentage of issued share capital
Prudential Corporation group including clients' managed funds	6,050,548	8.37
Citicorp group companies including clients' managed funds	3,479,423	4.82
3i Group plc	3,118,789	4.32
Schroder Investment Management Ltd, as investment managers	2,861,323	3.96
Framlington Group plc	2,849,230	3.94
Alliance Capital for a discretionary client	2,536,667	3.50
Barclays Bank PLC non-beneficial	2,352,712	3.26



## DIRECTORS' REPORT

### DIRECTORS' AUTHORITY TO ISSUE SHARES

A Special Resolution will be put to the Annual General Meeting on 16th May 1991, consolidating four previously approved resolutions, to give the directors authority within the next five years to allot an aggregate nominal amount of £2 million of authorised but unissued share capital of the Company, pursuant to Section 80, Companies Act 1985.

A Special Resolution will also be proposed, seeking authority for the directors to issue shares of the Company within certain constraints as set out in the Notice of Meeting. This resolution is similar to the corresponding resolutions passed in previous years. The proposed authority limit in this resolution is £361,000 and represents approximately 5% of the Company's issued share capital. If approved by the Meeting, this power will continue until the next Annual General Meeting of the Company.

### MEMORANDUM AND ARTICLES OF ASSOCIATION

A Special Resolution will also be put to the Annual General Meeting proposing certain changes to the Memorandum and Articles for the reasons explained in the Appendix to the Notice of Meeting.

### RECENT EVENTS

New Ordinary Shares in the Company have been issued to the vendors of Hewitson-Walker and are to be issued to the vendors of Scott-Grant in respect of deferred purchase consideration arising from the 1990 results of the companies. Details are given in Notes 14 and 23 to the financial statements.

### FUTURE DEVELOPMENTS

The Group intends to continue to grow both organically and by acquisition when suitable opportunities arise.

### CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations in excess of £200 were made during the year.

### TAXATION STATUS

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

### EMPLOYMENT OF DISABLED EMPLOYEES

It is the Group's policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, in common with all employees.

### EMPLOYEE INVOLVEMENT

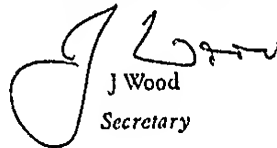
Various methods are used by the Company to ensure that all its employees are provided with information concerning them as employees, particularly the economic and financial factors affecting the Company's performance.

Internal circulars and newsletters are issued regularly and regular consultation and discussions between management and their staff are strongly encouraged.

### AUDITORS

In accordance with Section 384 of the Companies Act 1985, a Resolution proposing the reappointment of Coopers & Lybrand Deloitte, Chartered Accountants, as auditors to the Company will be put to the Annual General Meeting.

*Approved by the Board on 21st March 1991  
and signed on its behalf by*

  
J Wood  
Secretary

## BOARD OF DIRECTORS

MIKE ROGERS, 48, is Chief Executive. He joined BNA in March 1976 and became Managing Director in October of that year. He became Marketing Director in May 1978 and joined the Board of Nestor-BNA when it was formed in March 1986. Before joining BNA he was a director of Federation Mutual Insurance where, prior to his Board appointment, he was Management Services Controller. He is a member of the Executive Committee of the Federation of Recruitment and Employment Services.

CLIVE CHAPMAN, 42, is Group Finance Director. He joined Nestor-BNA in September, 1990. Before joining the Group he was Group Finance Director of ITL Information Technology plc and prior to that, Group Financial Controller of the P&O Group.

JOHN COCKBURN, 49, is Managing Director of Nestor Medical Deputising. He was appointed Medical Director of Liverpool Locums in 1973 and joined the Board of Nestor-BNA in March 1986. He has been in general medical practice for 22 years and is now Chairman of Liverpool Local Medical Committee. He is also a member of the Medical Directors' Association.

JENNIFER PRIESTLEY, 44, is Managing Director of Nestor Medical Services. In 1971 she joined Nestor Nursing Homes and ran Unsted Park as Matron. She became Managing Director of Nestor Medical Services in 1985 and joined the Board of Nestor-BNA in March 1986.

PHILIP PUNTER, 42, is Finance Director of BNA. He joined BNA in October 1976 as Chief Accountant. He was appointed a director of BNA in September 1983 and joined the Board of Nestor-BNA in 1986.

MIKE SMITH, 53, is Managing Director of BNA. He joined BNA in February 1977 as Marketing Manager and became Marketing Director in September 1983. He joined the Board of Nestor-BNA in November 1986 and became Managing Director of BNA in January 1987.

## NON-EXECUTIVE DIRECTORS

JOHN HANN, 64, joined the Board in November 1986 and was appointed Chairman in May 1989. He was previously Chairman of Boots the Chemist Limited until his retirement in 1984. He is a non-executive director of Clifford Foods plc.

VISCOUNT BRIDGEMAN, 60, joined the Board in November 1988, having previously been a member prior to the Company's flotation. He was formerly a director of, and is now a consultant to Guinness Mahon & Co. Ltd. He is also a special trustee for Hammersmith & Acton Hospitals.

FRANCIS HOWARD, 55, joined the Board in June 1987. He is a director of Howard Perry Associates Limited, business and financial consultants. He was previously Finance Director of Charter Consolidated PLC and is currently a non-executive director of Hawtal Whiting Holdings plc, Consolidated Communications Management Limited and other companies.

In addition to their normal duties as Board members the non-executive directors constitute two special purpose committees, the Audit Committee and the Compensation Committee.

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1990



	Notes	1990 £000	1989 £000
TURNOVER	2	104,403	82,266
Cost of sales		(80,222)	(65,648)
GROSS PROFIT		24,181	16,618
Administrative expenses		(14,402)	(9,919)
OPERATING PROFIT BEFORE EMPLOYEE PROFIT SHARE		9,779	6,699
Employee profit share	6	(60)	—
OPERATING PROFIT AFTER EMPLOYEE PROFIT SHARE	3,4,5	9,719	6,699
Interest payable less receivable	7	(1,703)	(647)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,016	6,052
Taxation	8	(2,383)	(2,120)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,633	3,932
Dividends	10	(2,637)	(1,498)
RETAINED PROFIT FOR THE YEAR	9,22	2,996	2,434
EARNINGS PER SHARE	11	8.64p	8.22p

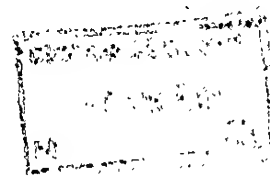
# CONSOLIDATED BALANCE SHEET

as at 31st December 1990

	Notes	1990 £000	1989 £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	13,034	13,231
Investments	14	1,034	574
<b>TOTAL FIXED ASSETS</b>		<b>14,068</b>	<b>13,805</b>
<b>CURRENT ASSETS</b>			
Stocks	15	221	206
Debtors	16	15,221	13,967
Cash at bank and in hand		11,072	4,055
		<b>26,514</b>	<b>18,228</b>
<b>CREDITORS</b>			
Amounts falling due within one year	17	(22,822)	(15,946)
<b>NET CURRENT ASSETS</b>		<b>3,692</b>	<b>2,282</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>17,760</b>	<b>16,087</b>
<b>CREDITORS</b>			
Amounts falling due after more than one year	18	(13,861)	(4,893)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	<b>(661)</b>	<b>(338)</b>
		<b>3,238</b>	<b>10,856</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	7,224	5,418
Share premium account	22	—	2,990
Acquisition reserve	22	(10,846)	—
Other reserves	22	1,685	—
Profit and loss account	22	5,175	2,448
		<b>3,238</b>	<b>10,856</b>

The financial statements on pages 24 to 41 were approved by the Board on 21st March 1991 and were signed on its behalf by:

 M G Rogers Director  
 C R Chapman Director





# HOLDING COMPANY BALANCE SHEET

as at 31st December 1990

	Notes	1990 £000	1989 £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	2,499	2,480
Investments	14	33,992	24,931
<b>TOTAL FIXED ASSETS</b>		<b>36,491</b>	<b>27,411</b>
<b>CURRENT ASSETS</b>			
Debtors	16	21,821	15,979
Cash at bank and in hand		12,805	1,711
		<b>34,626</b>	<b>17,690</b>
<b>CREDITORS</b>			
Amounts falling due within one year	17	(16,870)	(10,619)
<b>NET CURRENT ASSETS</b>		<b>17,756</b>	<b>7,071</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>54,247</b>	<b>34,482</b>
<b>CREDITORS</b>			
Amounts falling due after more than one year	18	(4,880)	(4,880)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	(224)	—
		<b>49,143</b>	<b>29,602</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	7,224	5,418
Share premium account	22	—	2,990
Other reserves	22	36,442	17,084
Profit and loss account	22	5,477	4,110
		<b>49,143</b>	<b>29,602</b>

The financial statements on pages 24 to 41 were approved by the Board  
on 21st March 1991 and were signed on its behalf by:

 M G Rogers Director  
 C R Chapman Director



# CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended 31st December 1990

	1990 £000	1989 £000
<b>SOURCE/(APPLICATION) OF FUNDS</b>		
Operating profit	9,719	6,699
Adjustments for non cash items		
Depreciation	916	754
(Profit)/loss on sale of fixed assets	(72)	103
<b>FUNDS GENERATED FROM OPERATIONS</b>	<b>10,563</b>	<b>7,556</b>
Purchase of fixed assets (net of disposals)	(916)	(2,525)
Investments	(460)	(574)
Changes in working capital		
Stocks	(15)	(48)
Debtors	(1,254)	(4,109)
Creditors	852	1,401
	8,770	1,701
Interest payable less receivable	(1,703)	(647)
Tax paid	(2,227)	(1,796)
Dividends paid	(2,276)	(1,124)
Exchange movement	1,685	—
	4,249	(1,866)
Goodwill on acquisition of businesses	(30,204)	(13,647)
	(25,955)	(15,513)
<b>FUNDED BY</b>		
Issue of shares	18,174	13,712
Net increase in borrowings	7,781	1,801
	<b>25,955</b>	<b>15,513</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

### NOTE 1 ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings. Accounts are made up to the nearest Friday to 31st December each year.

#### BASIS OF CONSOLIDATION

The Group financial statements comprise a consolidation of the financial statements of the Company and all its subsidiaries. Merger accounting principles are followed in respect of acquisitions which satisfy the conditions set out in Statement of Standard Accounting Practice Number 23. In accordance with the principles of merger accounting, comparative data is restated where merger accounting has been applied, and accounting policies are adjusted to be consistent with those of the Group. Acquisition accounting is used in respect of acquisitions which do not satisfy the conditions for merger accounting.

#### DEPRECIATION

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the Group. It is the Group's policy to maintain its properties in a state of good repair, and in the case of freehold and long leasehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties.

Other fixed assets are written off by equal instalments over their anticipated useful lives of between three and eight years.

#### STOCKS

Stocks are valued at the lower of cost and net realisable value.

#### DEFERRED TAXATION

Deferred taxation is provided on the liability method where, in the opinion of the directors, it is probable that the liability will crystallise in the foreseeable future.

#### GOODWILL

Goodwill arises when a consideration paid for a business or company exceeds the fair value of the net tangible assets acquired. In the acquiring company's financial statements any goodwill arising is written off immediately into reserves at the date of acquisition.

#### CONTRIBUTIONS TO PENSION FUNDS

Contributions to pension funds are determined on the basis of recommendations made by independent qualified actuaries and are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the remaining working lives of the employees.

#### FINANCE LEASES

Where fixed assets are financed by leasing agreements that give rights approximately equivalent to ownership (finance lease) the assets are capitalised. The corresponding lease commitments are treated as obligations to the lessor.

#### FOREIGN CURRENCIES

The trading results of overseas subsidiaries are translated into sterling using the average rates of exchange.

The balance sheets of overseas subsidiaries are translated at the rates of exchange ruling at 31st December. Exchange differences arising on translation into sterling are dealt with through reserves.

The cost of the Company's investment in overseas subsidiaries is translated at the ruling rate at the date of the investment, except in those instances where forward exchange contracts have been arranged, in which case the forward rate is used.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

## NOTE 2 TURNOVER

Turnover represents the amount invoiced net of value added tax.

The amount attributable to each market supplied was

	1990 £000	1989 £000
United Kingdom	88,075	82,222
Other European countries	28	44
North America	16,300	—
	<u>104,403</u>	<u>82,266</u>

Turnover by activity is as follows:

Healthcare		
Nursing agencies — USA	16,300	—
Nursing agencies — UK	51,503	56,452
Hospitals and nursing homes	9,854	7,801
Doctors' deputising services	5,600	4,339
Other specialist personnel		
Productivity improvement specialists	8,574	8,554
Temporary accountants	12,572	5,120
	<u>104,403</u>	<u>82,266</u>

## NOTE 3 OPERATING PROFIT

Operating profit by activity is as follows:

Healthcare		
Nursing agencies — USA	2,708	—
Nursing agencies — UK	2,144	3,550
Hospitals and nursing homes	1,505	990
Doctors' deputising services	900	610
Other specialist personnel		
Productivity improvement specialists	928	1,009
Temporary accountants	2,692	1,138
Central costs	(1,158)	(598)
	<u>9,719</u>	<u>6,699</u>

Operating profit is stated after charging/(crediting)

Depreciation	916	754
Hire of plant and machinery	257	164
Auditors' remuneration	125	99
Rents received net of outgoings	(57)	(39)
Rent of premises	850	565

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

	1990 £000	1989 £000
<b>NOTE 4 EMPLOYEES</b>		
(a) Employee costs		
Wages and salaries	11,805	8,450
Social security costs	950	662
Other pension costs	179	165
	<u>12,934</u>	<u>9,277</u>

	1990 Number	1989 Number
(b) Employee numbers		
The average number of persons employed by the Group during the year was	1,733	1,610

	1990 £000	1989 £000
<b>NOTE 5 DIRECTORS</b>		
Employee costs include the following remuneration in respect of directors of Nestor-BNA plc:		
Fees	51	36
Other emoluments (including pension contributions)	530	470
	<u>581</u>	<u>506</u>

The directors' remuneration disclosed above includes amounts (excluding pension contributions) paid to

The Chairman	28	16
The highest paid director	134	96

The number of other directors who received fees and other emoluments (excluding pension contributions) in the following ranges was

	1990 Number	1989 Number
£5,001 - £10,000	—	2
£10,001 - £15,000	2	—
£15,001 - £20,000	1	—
£20,001 - £25,000	1	1
£25,001 - £30,000	2	2
£30,001 - £35,000	1	—
£35,001 - £40,000	1	1
£40,001 - £45,000	—	1

	1990 £000	1989 £000
<b>NOTE 6 EMPLOYEE PROFIT SHARE</b>		
Employee profit share	60	—

The directors have allocated an amount of £60,000 (1989: nil) to the Nestor-BNA Profit Sharing Scheme. The scheme was started in 1990.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

	1990 £000	1989 £000
<b>NOTE 7 INTEREST PAYABLE LESS RECEIVABLE</b>		
On bank loans, overdrafts and other loans wholly repayable within five years	2,027	636
On other loans	493	99
Investment income — bank interest receivable	(817)	(88)
	<u>1,703</u>	<u>647</u>

<b>NOTE 8 TAXATION</b>		
Corporation Tax at 35%* based on adjusted profits for the year	2,132	1,903
Overprovision in previous years	(72)	(52)
Deferred tax	323	269
	<u>2,383</u>	<u>2,120</u>

\*This rate will be reduced if the 1991 Budget proposals are enacted.

<b>NOTE 9 RETAINED PROFIT FOR THE YEAR</b>		
Profit dealt with in the accounts of the Company	1,367	2,198
Profit retained by subsidiary companies	1,629	236
	<u>2,996</u>	<u>2,434</u>

Under the provisions of Section 228(7) of the Companies Act 1985, the Company has not published its own profit and loss account.

<b>NOTE 10 DIVIDENDS</b>		
Final dividend for 1989 paid on rights issue shares (18,058,827 shares) not provided in last year's financial statements		
Ordinary 10p shares: 2.00p per share	361	—
 Dividends paid		
Ordinary 10p shares: 1.15p per share (1989: 1.00p)	831	415
 Dividends proposed		
Ordinary 10p shares: 2.00p per share (1989: 2.00p)	1,445	1,083
	<u>2,637</u>	<u>1,498</u>

	1990	1989
<b>NOTE 11 EARNINGS PER SHARE</b>		
Earnings per share	8.64p	8.22p

The earnings per share is calculated on earnings of £5,632,814 (1989: £3,932,612) and on the weighted average number of shares of 65,208,097 (1989: 47,821,578).

The weighted average number of shares for 1989 has been adjusted in accordance with Statement of Standard Accounting Practice Number 3 to take into account the rights issue in 1990.

No figure for fully diluted earnings per share for 1990 is shown since the difference from the basic earnings per share is less than 5%.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

NOTE 12 TANGIBLE FIXED ASSETS — GROUP	Land & buildings		Plant & equipment, fixtures & fittings	Total
	Freehold £000	Leasehold £000	£000	£000
COST OR VALUATION				
At 1st January 1990	6,830	2,520	5,441	14,791
Additions on acquisition	1	—	129	130
Exchange movements	—	—	(20)	(20)
Additions	103	—	1,540	1,643
Disposals	(767)	—	(563)	(1,330)
At 31st December 1990	6,167	2,520	6,527	15,214
DEPRECIATION				
At 1st January 1990	—	—	1,560	1,560
Eliminated on disposal	—	—	(296)	(296)
Charge for the year	—	15	901	916
At 31st December 1990	—	15	2,165	2,180
NET BOOK VALUE				
At 31st December 1990	6,167	2,505	4,362	13,034
At 31st December 1989	6,830	2,520	3,881	13,231
The cost or valuation of fixed assets held at 31st December 1990 was represented by				
1987 valuation	5,923	2,200	—	8,123
Cost	244	320	6,527	7,091
	6,167	2,520	6,527	15,214

Included in leasehold land and buildings and plant and equipment, fixtures and fittings, are amounts of £2,520,000 and £179,600 respectively in respect of assets held under a finance lease. They include the land and buildings and equipment relating to Salisbury Independent Hospital and Medical Services Limited. These assets are subject to a sale and leaseback agreement whereby they were sold in 1989 for £2,379,600 to a subsidiary of Hambros Bank Limited. The term of the lease is 25 years. Hambros Bank has options to sell these assets to the Company which in turn has options to buy these assets at certain times during this period.

Land and buildings owned by Nestor Medical Services Limited and Nestor Medical Personnel Limited were valued at 10th November 1987 by John D Wood, Chartered Surveyors, on the basis of open market value.

	1990 £000	1989 £000
If land and buildings had not been valued, they would have been included at their original cost of	4,622	5,016

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

## NOTE 12 TANGIBLE FIXED ASSETS *continued*

### — COMPANY

	Land & buildings Leasehold £000	Plant & equipment, fixtures & fittings £000	Total £000
<b>COST OR VALUATION</b>			
At 1st January 1990	2,200	304	2,504
Additions	—	102	102
Disposals	—	(58)	(58)
At 31st December 1990	2,200	348	2,548
<b>DEPRECIATION</b>			
At 1st January 1990	—	24	24
Eliminated on disposal	—	(29)	(29)
Charge for the year	—	54	54
At 31st December 1990	—	49	49
<b>NET BOOK VALUE</b>			
At 31st December 1990	2,200	299	2,499
At 31st December 1989	2,200	280	2,480

The leasehold land and buildings of the Company represent the property held under the finance lease described above.

	1990 £000	1989 £000
<b>NOTE 13 CAPITAL COMMITMENTS — GROUP</b>		
Capital expenditure that has been contracted but not provided for	26	73

At the year end, there was no capital expenditure which had been authorised by the directors but not yet contracted for (1989: nil).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

## NOTE 14 FIXED ASSETS INVESTMENTS

	Group £000	Company £000
At 1st January 1990	574	24,931
Additions		
Scott-Grant	—	812
Nestor-BNA, Inc.	—	7,789
Nutri/System	460	460
At 31st December 1990	1,034	33,992

The following principal subsidiary companies are wholly-owned and are incorporated and operate in Great Britain, except where stated.

COMPANY	BUSINESS
Nestor Medical Personnel Limited	<i>Nursing agencies</i>
British Nursing Co-operations Limited* (trading as British Nursing Association or BNA)	
Nestor Medical Services Limited	<i>Hospitals and nursing homes</i>
Nestor Medical Deputising Group Limited	<i>Doctors' deputising services</i>
Liverpool Locums Limited*	
Birmingham Locums Limited*	
On-Call Limited*	
Medical Relief Agency (Stoke-on-Trent) Limited*	
Medical Emergency Duty Service Limited*	
Scott-Grant (Management Services) Limited	<i>Specialist personnel</i>
Scott-Grant (Computer Services) Limited	
Scott-Grant (Technical Services) Limited	
Scott-Grant (Training Services) Limited	
Hewitson-Walker Limited	<i>Specialist personnel</i>
Hewitson-Walker (Freelance Accounting Appointments) Limited*	
Nestor-BNA, Inc. (United States of America)	<i>Travel nursing</i>
MRA Staffing Systems, Inc. (United States of America)	

\*The interest of Nestor-BNA plc is held through an intermediate holding company.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

## NOTE 14 FIXED ASSETS INVESTMENTS — COMPANY *continued*

### (a) Medical Recruiters of America, Inc.

On the 10th April 1990 the Group acquired the business of Medical Recruiters of America, Inc. for a consideration of \$40.8 million. \$20.4 million was paid in cash on 10th April 1990, the remaining \$20.4 million was satisfied by promissory notes which were subsequently settled on 2nd January 1991. The consideration was funded by a rights issue of 18,058,827 new Ordinary Shares of 10p each at 104p per share, and a private placement of \$17 million Senior Notes.

The net assets acquired in respect of Medical Recruiters of America, and the goodwill arising, are as follows:

	Book value £000
Fixed assets	
Tangible fixed assets	111
Current assets	
Trade debtors	3,284
Sundry debtors	122
Cash at bank	471
Total assets	3,988
Current liabilities	
Loans	(1,575)
State and other taxes	(983)
Accruals and other creditors	(691)
Net assets	739
Consideration paid	25,699
Acquisition costs	2,763
Consideration paid plus acquisition costs	28,462
Goodwill	27,723

No material fair value adjustments were made.

### (b) Medical Emergency Duty Service

On the 8th May 1990 the Group acquired the business of Medical Emergency Duty Service for a consideration of £1.6 million. The consideration was funded out of the rights issue of 18,058,827 new Ordinary Shares described in (a) above.

The net assets acquired in respect of Medical Emergency Duty Service, and the goodwill arising, are as follows:

	Book value £000
Tangible fixed assets acquired	19
Consideration paid	1,600
Acquisition costs	56
Consideration paid plus acquisition costs	1,656
Goodwill	1,637

No material fair value adjustments were made.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

### NOTE 14 FIXED ASSETS INVESTMENT — COMPANY *continued*

#### (c) Hewitson-Walker

On 11th August 1989 the Group acquired Hewitson-Walker Limited. The initial consideration of £12,421,499 was satisfied from a rights offer of 7,667,592 new Ordinary Shares of 10p each at 108p per share and by the issue of 3,332,394 new Ordinary Shares of 10p each to the vendors. Subsequently a further payment of £956,242 was made by the issue of 857,000 new Ordinary Shares of 10p each. These payments, totalling £13,377,741, represented 70% of the base consideration payable for Hewitson-Walker. The base consideration equated to ten and a half times the post-tax profit for the year ended 8th October 1989 and on the audited figures for the year ended 8th October 1989, this base consideration totalled £19,111,061.

The balance of the base consideration is payable in three equal instalments. The first instalment of £1,368,475 was made on 20th March 1991, and was satisfied by the issue of 1,670,230 new Ordinary Shares of 10p each. The second and third instalments will be paid early in 1992 and 1993 provided that pre-tax profits for the years ending 31st December 1991 and 1992 exceed that of the previous year by 15%. In the event that pre-tax profit falls short of this figure, the relevant instalment will be reduced by £5 for every £1 of shortfall.

If the pre-tax profit for the years ending 31st December 1991 and 1992 exceeds that of the highest of the previous years' by more than 15%, then additional payments will be made early in 1992 and 1993 of £5 for every £1 of such excess increasing to £6 for every £1 of any excess above 25%.

The initial payment, deferred payments and any additional payments are subject to a combined maximum of £25 million and may be satisfied by a combination of Ordinary Shares and unsecured Loan Notes in the Company.

#### (d) Scott-Grant

On 25th November 1988 the Group merged with Scott-Grant. The initial consideration of £4,125,000 was satisfied by the issue of 4,536,052 new Ordinary Shares of 10p each and subsequently a further payment of £745,875 was made by the issue of 493,956 new Ordinary Shares of 10p each. These payments, totalling £4,870,875, represented 75% of the base consideration payable for Scott-Grant. The total base consideration equates to ten times post-tax profit for the year ended 31st December 1988 after making certain adjustments for non-recurring items, plus the value of net tangible assets at completion. Based on audited figures for the year ended 31st December 1988, the base consideration totalled £6,494,500.

The balance of the base consideration is payable in two instalments, the first of which was satisfied on 15th March 1990, by the issue to the Scott-Grant vendors of £811,813 Unsecured Loan Notes. The second instalment of £811,813 will be satisfied by the issue of new Ordinary Shares of 10p each to the vendors.

A further payment of £255,319 was made on 1st February 1991 which related to a guaranteed share price on 1,063,830 of the 4,536,052 shares mentioned above, still held by the vendors at 31st December 1990.

#### (e) Nutri/System (United Kingdom) Limited

On 21st February 1989 the Company signed a joint venture agreement with Nutri/System, Inc. whereby a company called Nutri/System (United Kingdom) Limited was established and given the right to offer Nutri/System, Inc.'s medically approved weight-loss programme, encompassing counselling as well as the provision of dietary foods, in the United Kingdom.

At 31st December 1990 the Company had invested an amount of £1,033,492 in Nutri/System (United Kingdom) Limited by way of an £82,400 subscription for 'B' shares of £1 each at par, £247,600 non-interest bearing Convertible Loan Stock, £670,000 of an unsecured interest bearing loan. The balance of the investment represents capitalised acquisition costs of £33,492.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

## NOTE 14 FIXED ASSETS INVESTMENT — COMPANY *continued*

Until such time as the non-interest bearing Convertible Loan Stock is converted, the Company's share of profits will be 19.9% with the balance of 80.1% to Nutri/System, Inc.

The audited financial statements of Nutri/System (United Kingdom) Limited for the year ended 30th June 1990 show a loss after taxation of £1,851,405. The directors are of the view that there has been no permanent diminution in the value of the Company's investment in the Nutri/System business.

	GROUP		COMPANY	
	1990 £000	1989 £000	1990 £000	1989 £000
<b>NOTE 15 STOCKS</b>				
Consumables and goods for resale	221	206	—	—
<b>NOTE 16 DEBTORS</b>				
Trade debtors	13,002	12,116	—	—
Amounts owed by Group companies	—	—	14,102	11,592
Other debtors	485	914	238	1,521
Prepayments and accrued income	1,734	937	733	71
Dividends receivable	—	—	5,117	2,795
Corporation Tax	—	—	1,631	—
	15,221	13,967	21,821	15,979
<b>NOTE 17 CREDITORS</b>				
Amounts falling due within one year				
Bank overdraft	1,289	6,670	5,694	—
Loan notes	812	—	812	—
Promissory notes	10,570	—	—	—
Trade creditors	3,112	3,377	—	—
Amounts owed to Group companies	—	—	7,758	7,973
Dividends proposed	1,445	1,084	1,445	1,084
Corporation Tax	1,975	2,142	262	240
Other tax and social security	1,086	918	—	—
Other creditors	1,379	1,220	183	960
Accruals and deferred income	1,154	535	716	362
	22,822	15,946	16,870	10,619
<b>NOTE 18 CREDITORS</b>				
Amounts falling due after more than one year				
Bank loan	2,500	2,500	2,500	2,500
Loan other than from banks	8,808	—	—	—
Obligations under finance leases	2,382	2,393	2,380	2,380
Other creditors	171	—	—	—
	13,861	4,893	4,880	4,880

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

			GROUP		COMPANY	
	Repayment dates	Interest rates	1990 £000	1989 £000	1990 £000	1989 £000
NOTE 19 NET BORROWINGS AND FINANCE LEASES						
Secured						
Promissory notes (\$20.4 million)	1991	11.125%	10,570	—	—	—
Bank loan	1994	variable	2,500	2,500	2,500	2,500
Finance leases	1994	variable	2,382	2,393	2,380	2,380
Unsecured						
Bank overdraft	—	variable	1,289	6,670	5,694	—
Loan notes	1991	variable	812	—	812	—
Loan other than from banks (\$17 million)	1993-97	10.37%	8,808	—	—	—
Total borrowings and finance leases			26,361	11,563	11,386	4,880
Less cash at bank and in hand			(11,072)	(4,055)	(12,805)	(1,711)
Net borrowings and finance leases			15,289	7,508	(1,419)	3,169

Net borrowings and finance leases of the Group are summarised as follows:

	Repayable within one year £000	Repayable between two and five years £000	Repayable beyond five years £000	Total £000
<b>Secured</b>				
Promissory notes (\$20.4 million)	10,570	—	—	10,570
Bank loan	—	2,500	—	2,500
Finance leases	—	2,382	—	2,382
<b>Unsecured</b>				
Bank overdraft	1,289	—	—	1,289
Loan notes	812	—	—	812
Loan other than from banks (\$17 million)	—	5,285	3,523	8,808
Total borrowings and finance leases	12,671	10,167	3,523	26,361
Less cash at bank and in hand	(11,072)	—	—	(11,072)
At 31st December 1990	1,599	10,167	3,523	15,289
At 31st December 1989	2,615	4,893	—	7,508

The promissory notes of \$20.4 million are secured upon irrevocable letters of credit issued by National Westminster Bank PLC. These letters of credit were secured against a deposit of \$20.4 million and were redeemed on 2nd January 1991.

The bank loan is secured by a fixed charge over one of the Group's properties and bears interest at a rate linked to LIBOR.

The loan other than from banks is in the amount of \$17 million from Teachers Insurance and Annuity Association of America, Inc. The loan is unsecured and repayable in five equal annual instalments of \$3.4 million beginning 15th May 1993.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

	GROUP		COMPANY	
	1990 £000	1989 £000	1990 £000	1989 £000
<b>NOTE 20 PROVISION FOR LIABILITIES AND CHARGES</b>				
<b>DEFERRED TAXATION PROVISION</b>				
At 1st January 1990	338	69	—	—
Provided in the year	323	269	224	—
At 31st December 1990	661	338	224	—
The deferred taxation provision arises from				
Accelerated depreciation allowances	437	338	—	—
Other timing differences	224	—	224	—
	661	338	224	—
Full potential liability	803	388	—	—

In addition to the potential liability shown above, a taxation charge of approximately £800,000 would arise on chargeable gains in the event of the Group's properties being realised at valuations at which they are included in the balance sheet at 31st December 1990.

	Authorised		Allotted, issued, and fully paid	
	Number	£000	Number	£000
<b>NOTE 21 SHARE CAPITAL</b>				
Ordinary Shares of 10p each				
Balance at 1st January 1990	76,000,000	7,600	54,176,131	5,418
Issued in connection with the acquisition of Medical Recruiters of America, Inc. and Medical Emergency Duty Service	—	—	18,058,827	1,806
Share option exercised	—	—	857	—
Authorised during year	20,000,000	2,000	—	—
At 31st December 1990	96,000,000	9,600	72,235,815	7,224

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

	Share premium account £000	Revaluation reserve £000	Acquisition reserve £000	Foreign exchange reserve £000	Profit and loss account £000	Total £000
<b>NOTE 22 RESERVES</b>						
<b>GROUP</b>						
As at 1st January 1990	2,990	—	—	—	2,448	5,438
Foreign exchange	—	—	—	1,685	—	1,685
Adjustment arising in respect of disposal of revalued asset	—	(269)	—	—	—	(269)
Share premium on issued shares	16,976	—	—	—	—	16,976
Cancellation of share premium account	(19,966)	—	19,966	—	—	—
Share issue expenses written off	—	—	(608)	—	—	(608)
Goodwill on acquisition written off	—	—	(30,204)	—	—	(30,204)
Retained profit for the year	—	—	—	—	2,996	2,996
Transfer from profit and loss account	—	269	—	—	(269)	—
At 31st December 1990	—	—	(10,846)	1,685	5,175	(3,986)

The total amount of goodwill that has been written off against reserves in respect of subsidiaries still held by the Group is £53,632,000.

Goodwill on acquisition written off during the year consists of the following:

	£000
Medical Recruiters of America	27,723
Medical Emergency Duty Service	1,637
Scott-Grant Organisation — deferred consideration	812
Other	32
	<u>30,204</u>

	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
<b>COMPANY</b>				
As at 1st January 1990	2,990	17,084	4,110	24,184
Share premium on issued shares	16,976	—	—	16,976
Cancellation of share premium account	(19,966)	19,966	—	—
Share issue expenses written off	—	(608)	—	(608)
Retained profit for the year	—	—	1,367	1,367
At 31st December 1990	—	36,442	5,477	41,919

Following approval by a Special Resolution of the Company at the Extraordinary General Meeting held on 16th May 1990 and confirmed by the High Court on 18th June 1990, the share premium account was cancelled and the balance transferred to the acquisition reserve.

Goodwill arising on acquisitions made during the year and from deferred acquisition consideration payments has been written off to the acquisition reserve.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

### NOTE 23 POST BALANCE SHEET EVENTS

In accordance with the agreement to acquire Scott-Grant, an amount of £255,319 was paid on 1st February 1991 which relates to a guaranteed share price on 1,063,830 of the 4,536,052 shares issued in respect of the initial consideration. Also in accordance with this agreement, a final amount of £811,813 became due in 1991 and will be satisfied by the issue of new Ordinary Shares to the vendors.

In accordance with the agreement to acquire Hewitson-Walker, an amount of £1,368,475 became due in 1991 and has been satisfied by the issue of 1,670,230 new Ordinary Shares.

### NOTE 24 CONTINGENT LIABILITIES

The Company has given guarantees of £200,000 in respect of Nutri/System (United Kingdom) Limited. The Company has also given guarantees in respect of certain properties leased by Nutri/System (United Kingdom) Limited. There are 16 such leases. As at 31st December 1990, the remaining life of the leases varied from two to 35 years and the annual rental ranged from £15,000 to £60,000. Nutri/System, Inc. has agreed to honour 50% of the value of these lease guarantees.

### NOTE 25 OTHER FINANCIAL COMMITMENTS

The Group occupies numerous premises operated under leases whose terms, conditions and expiry dates vary considerably. The aggregate annual rental costs of these premises amounted to £850,000 in 1990 (1989: £565,000).

### NOTE 26 PENSION COSTS

The Company operates a pension scheme providing benefits based on final pensionable salary. The scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme.

The manager of the scheme is Eagle Star. The Pension Actuary of Eagle Star Insurance Company Limited carried out an actuarial valuation of the scheme as at 30th April 1989 using a modified projected unit method and concluded that at that date the actuarial value of the assets was sufficient to cover 130% of the accrued benefits, allowing for expected future salary increases up to Normal Pension Age. For funding purposes, the surplus has been spread over a period of 20 years, thus reducing the employer's funding rate from 6.7% to 6.1%. Members' contributions remained at 5%. As the average expected remaining service life of the current members is 15 years, the funding rate is deemed equivalent to the charge for pension costs under the principles of Statement of Standard Accounting Practice Number 24. The employer also pays an additional funding rate of 1.5% for death-in-service benefits consisting of employee life assurance and spouses' pensions following employee death-in-service.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. A rate of increase of 8% per annum has been used to discount future income and outgoing benefits, and it has been assumed that salary increases will average 6.5%.

The pension charge for the year was £179,000 (1989: £165,000).

### NOTE 27 SHARE OPTION SCHEMES

Options for 2,738,370 Ordinary Shares had been issued under the Employee Share Option Scheme at 31st December 1990. The options are exercisable, subject to the rules of the scheme, on dates between December 1990 and October 2000, at prices between 72p and 145p per share.

Options for 435,623 Ordinary Shares had been issued under the Savings Related Share Option Scheme at 31st December 1990. The options are exercisable, subject to the rules of the scheme, from December 1993, at a price of 76p per share.

## AUDITORS' REPORT

TO THE MEMBERS OF NESTOR-BNA plc

We have audited the financial statements on pages twenty four to forty one in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1990 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand Deloitte*

Coopers & Lybrand Deloitte

Chartered Accountants

London

21st March 1991



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of the Company will be held at The Brewery, Chiswell Street, London EC1Y 4SD on 16th May 1991 at 12 noon for the following purposes:

### ORDINARY BUSINESS

1. To receive and consider the financial statements, together with the reports of the directors and auditors, for the year ended 31st December 1990.
2. To declare a final dividend.
3. To re-elect C R Chapman as a director.
4. To re-elect J Priestley as a director.
5. To re-elect H J Hann as a director.
6. To re-appoint Coopers & Lybrand Deloitte as auditors to act as such until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.

### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

That the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 and so that references to the allotment of relevant securities shall be construed in accordance with that section) up to an aggregate nominal amount of £2,000,000, such authority to expire on 15th May 1996, provided that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and that this authority shall be in substitution for all previous authorities given to the directors in that regard.

8. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution: That, subject to the passing of the preceding Resolution 7, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) pursuant to the authority conferred by the said resolution as if sub-section (1) of section 89 of that Act did not apply to any such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders on the register of members at such record date or dates as the directors may determine for the purpose of the issue where the equity securities respectively attributable to the interests of all such holders of Ordinary Shares are proportionate (as nearly as may be) to the respective

numbers of Ordinary Shares held by them at any such record date or dates so determined, provided that the directors may make such arrangements or exclusions as they consider necessary or expedient in respect of fractional entitlements or legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange; and

- (ii) the allotment of equity securities pursuant to the terms of any share scheme for employees approved by shareholders in general meeting; and

- (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) or (ii) above) of equity securities up to an aggregate nominal amount of £361,000;

and shall expire on the date of the next Annual General Meeting of the Company after the date of passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that this power has expired.

9. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution: That the Memorandum of Association of the Company be and it is hereby altered as shown in the document marked 'A' and submitted to the meeting and signed by the Chairman hereof for the purposes of identification.

10. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution: That the Articles of Association of the Company be and they are hereby altered as shown in the document marked 'B' and submitted to the meeting and signed by the Chairman hereof for the purposes of identification.

By order of the Board

J Wood  
Secretary

Registered Office: 20A Church Road  
Welwyn Garden City, Hertfordshire AL8 6PS

21st March 1991

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, proxies must be lodged with the Registrars of the Company not later than 48 hours before the time appointed for the meeting.
2. Copies of all service agreements of more than one year's duration between the Company and the directors, copies of the existing Memorandum and Articles of Association of the Company and copies of the Memorandum and Articles of Association in their proposed altered forms (marked to indicate the proposed alterations) will be available for inspection at the registered office of the Company and, in the case of the Memorandum and Articles of Association in their existing and proposed altered forms, at the offices of Freshfields, Whitefriars, 65 Fleet Street, London EC4Y 1HS, during normal business hours from the date of this notice until the date of the meeting (Saturdays and bank holidays excepted) and at the place of the meeting from 15 minutes before and until the end of the meeting.

## APPENDIX TO NOTICE OF MEETING

### SPECIAL BUSINESS — RESOLUTIONS 9 AND 10 CHANGES TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The changes to the Memorandum and Articles of Association of the Company are proposed principally in order to keep up to date with recent developments in corporate law and practice and to accord with current Stock Exchange practice. The main changes are summarised in this Appendix.

#### ARTICLE 83: DELEGATION OF POWERS OF THE BOARD

It is the practice of the Board, as with many companies, to delegate certain issues to committees. A decision of the House of Lords last year highlighted the importance of making clear particular aspects of a Board's ability to delegate its powers to committees. The proposed change to Article 83 will make it clear that the Board may delegate to a committee the power to deal with the remuneration of executive directors.

#### MEMORANDUM CLAUSE 4: ARTICLES 105 AND 113: INSURANCE

The Companies Act 1989 introduced new provisions clarifying the legal enforceability of insurance purchased by companies against liabilities of directors and officers, arising from their positions as such.

Clause 4 of the Memorandum is to be altered to ensure that the arrangement of such insurance is within the objects of the Company. Article 105 is to be altered to give the Board express power to purchase and maintain such insurance.

Article 113 is also to be amended to permit a director to vote on, and count in the quorum in relation to, a resolution relating to any proposal to purchase insurance for him or her against his or her liability as a director.

#### ARTICLE 120: EXECUTION OF DEEDS

As an alternative to the use of a seal, the Companies Act 1989 also introduced new provisions allowing a company to execute a document (which is specifically expressed to be executed by the company) by the signature of a director and the secretary, or of two directors. Article 120 is to be

altered to ensure that documents are not executed under hand as deeds in accordance with the new statutory provisions without the same level of Board control as exists over the use of the seal. The provisions relating to the execution of documents under seal will be retained.

#### ARTICLE 66: SECTION 212 PROCEDURE

The Company has power to seek information about interests in its shares by means of a notice under Section 212 of the Companies Act 1985. Article 66 is to be altered to bring it into line with current Stock Exchange practice which permits more stringent sanctions for non-compliance with a notice under Section 212 than were previously permitted. The proposed changes will enable the Board to disenfranchise shares, with immediate effect, by notice to the holder if the holder or any other person appearing to be interested in the shares is in default for a period of 28 days in giving the information required by a notice under Section 212. At present, this sanction can only be imposed by the Board 7 days after the service of a notice of default.

As a result of the proposed change, if the number of shares in relation to which the default occurs represents at least 0.25% of the class concerned, the 28 day period will be reduced to 14 days and the Board may also suspend payment of dividends on the shares and refuse to register a transfer of the shares. However, certain transfers will, nonetheless, be permitted — in particular, a transfer pursuant to a sale on The Stock Exchange.

#### ARTICLES 98 AND 99: MANAGING AND EXECUTIVE DIRECTORS

Article 98 presently enables the Board to appoint one or more of its body to the office of managing director and Article 99 presently provides that a managing director is not subject to retirement by rotation. The Board considers the title of chief executive to be more appropriate for the holder of this office than the title of managing director and the preferred title is now in use. Accordingly, it is proposed that Article 98 be altered so as to add specific reference to the office of chief executive, and that Article 99 be altered so that a chief executive is not subject to retirement by rotation.